

Investment Objective

The aim of the **VIP Australian Shares Leaders Portfolio** is to provide investors with investment income and capital growth in excess of the S&P/ASX 100 Index over the over the long term from investment in a portfolio of large capitalisation (cap) Australian shares.

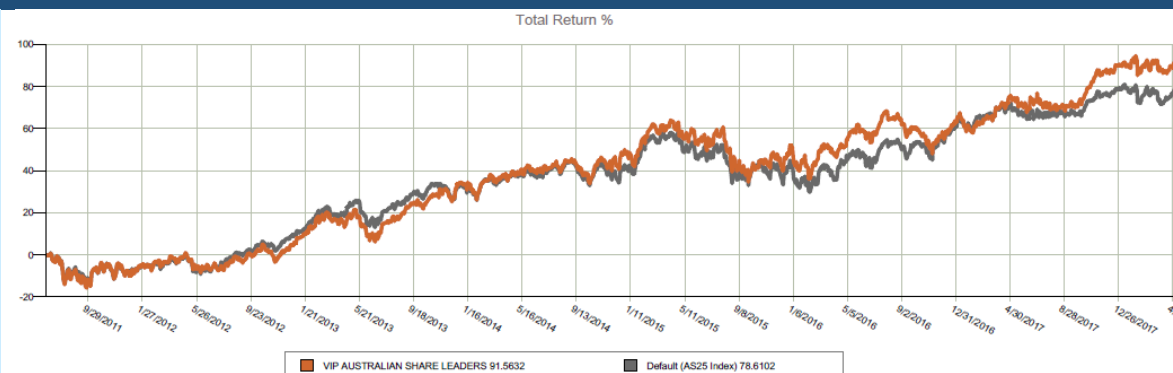
The portfolio invests in 15 to 30 Australian shares within the S&P/ASX 100 index that have been selected via a Quantitative and Qualitative screening process. This process aims to short list companies that are transparent and easy to understand, run by good management, priced below their valuation, &, display attractive growth prospects.

Performance Review

The VIP Australian Share Leaders portfolio generated a 2.02% **pre-fees** return for the month and 0.10% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in April by 1.89% and by 0.16% over the quarter.

Over the last year, the portfolio has generated an 9.64% return pre-fees outperforming the ASX 100 index by 5.25%.

The **post-fees** returns for the *Investment* and *Superannuation & Pension* portfolios are shown **in blue** in the table below.



Trailing Returns

	1 Month	3 Month	6 Month	1 Year
VIP Australian Share Leaders PRE-FEES	2.02	0.10	5.20	9.64
Net VIP Australian Share Leaders Investment	1.91	-0.24	4.53	8.29
Net VIP Australian Share Leaders Super-Pension	1.95	-0.10	4.80	8.84
S&P/ASX 100 TR	3.91	0.26	3.04	4.39

Performance - Main View 1

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP AUSTRALIAN SHARE LEADERS	100.00	2.02	0.10	5.20	9.64	0.72
Consumer Discretionary	5.31	11.47	12.22	14.88	38.67	13.16
Consumer Staples	5.31	8.85	10.77	21.18	30.52	18.83
Energy		0.00	0.00	0.00	-5.82	0.00
Financials	15.93	-0.42	-7.63	-5.87	-8.80	-8.25
Health Care	10.62	6.08	9.44	21.04	28.37	18.79
Indexes	4.42	0.16	0.44	0.87	1.75	0.59
Industrials	15.93	1.82	-0.44	2.67	15.38	-2.91
Information Technology	5.31	-0.58	-0.58	-0.58	-0.58	-0.58
Materials	26.55	1.78	-0.78	11.54	17.01	1.54
Utilities	10.62	-0.69	0.09	-3.52	-3.08	-5.76

Contributors & Detractors

The **Top Contributors** were Aristocrat Leisure +11.47% CSL +9.58%, and Treasury Wine Estates +8.85%. The **Top Detractors** were Boral -7.53%, Challenger -6.41%, and Spark Infrastructure -1.67%.

Economic Outlook

After an unprecedented amount of volatility in the markets to begin the year 2018, the month of April has seen the bounce in prices expected by the VIP Investment Committee. Although more pronounced in the US, the market bounce in Australia saw stocks such as Aristocrat Leisure (+11.47%) and CSL (+9.58%) have an outstanding month.

Around the world, it appears President Trump has posted a win for his administration with China agreeing to reduce America's trade deficit. The Trump administration aims to cut the deficit by \$200 billion, which will be highly beneficial for US exporters to China, particularly US farmers with China showing a preference towards agricultural products. Given the VIP portfolios in regard to international holdings are predominantly weighted towards the US, this information should bode well for the international assets held by VIP.

That said, any volatility in the international arena could potentially be blamed on President Trump and his decisions on key economic factors. For one, reneging on the Iran Nuclear Deal not only guarantees more volatility in the Middle East where tensions are forever high as is, but loses the already-waning faith between Trump and the power of Europe, if it was ever there to begin with. Furthermore, withdrawing from the long-awaited summit with North Korea can only spell for uncertainty in the global economy.

Within Europe, while Merkel and Macron (Germany and France respectively) are enforcing sensible policy as the main powers of the continent, Italy is a cause for concern as a result of the populist movement. The populist parties that won the country's elections two months ago have been given the go ahead to form government, hugely threatening the cohesion of the EU. Essentially, with Italian populism comes the promise to safeguard the interest of Italians, which could lead to decisions that are averse to the greater good of the EU.

Closer to home, the Federal Budget released recently is a clear election budget, making promises that bode well for voters. In the meantime, the east coast property market continues to lose heat. To the VIP Investment Committee, the greatest concern currently is credit growth – if the banks tighten lending next year, coupled with a slowing property market, this could lead to negative credit growth next year which may not be factored into the markets. That said, at this point this is simply hypothesising and ensures that the Committee has a keen eye on any movements that may indicate that this concept may come into fruition, enabling us to react swiftly and accordingly.

Going forward, the big question in terms of business is will the Liberal government get their company tax cuts through the senate? Naturally, the posed tax cuts present a giant target of attack for the Labor government, and in an election year, this may seem unwise for the Coalition and has yet to receive strong support from independent parties in the senate with only four confirmed supporters on the senate crossbench.

Month in Review - Economic & Market Commentary

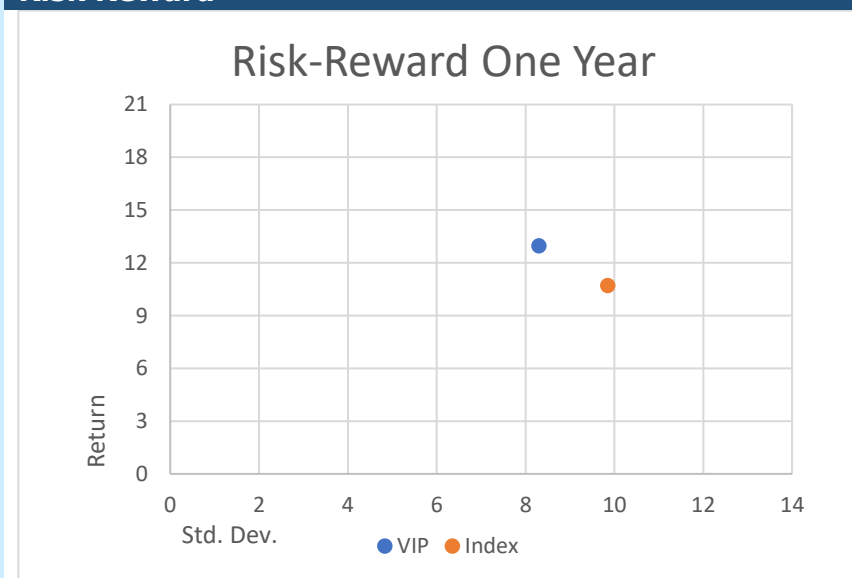
Performance - Main View

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP AUSTRALIAN SHARE LEADERS	100.00	2.02	0.10	5.20	9.64	0.72
AUST AND NZ BANKING GROUP	2.65	-0.07	-6.09	-7.86	-13.60	-6.61
WESTPAC BANKING CORP	2.65	0.07	-7.49	-10.67	-13.41	-8.64
BBG AUB Bank Bill	4.42	0.16	0.44	0.87	1.75	0.59
TREASURY WINE ESTATES LTD	5.31	8.85	10.77	21.18	30.52	18.83
ARISTOCRAT LEISURE LTD	5.31	11.47	12.22	14.88	38.67	13.16
COMPUTERSHARE LTD	5.31	-0.58	-0.58	-0.58	-0.58	-0.58
RESMED INC-CDI	5.31	2.59	2.07	18.02	40.89	15.82
CSL LTD	5.31	9.58	17.06	23.37	30.18	21.30
SPARK INFRASTRUCTURE GROUP	5.31	-1.67	5.16	-4.36	0.46	-3.22
AGL ENERGY LTD	5.31	0.23	-4.96	-11.67	-11.67	-8.55
JAMES HARDIE INDUSTRIES-CDI	5.31	3.24	8.25	19.42	6.76	4.38
BHP BILLITON LIMITED	5.31	3.41	1.70	15.72	17.58	3.87
RIO TINTO LTD	5.31	2.27	2.83	13.78	26.88	4.24
BORAL LTD	5.31	-7.53	-8.02	-8.02	-8.02	-8.02
SOUTH32 LTD	5.31	2.76	-9.22	2.90	27.87	-0.63
BRAMBLES LTD	5.31	-1.10	1.26	6.53	6.53	-0.45
CIMIC GROUP LTD	5.31	2.07	-3.71	-6.12	10.44	-11.78
SEEK LTD	5.31	4.46	0.62	7.09	16.89	3.48
CHALLENGER LTD	5.31	-6.41	-19.70	-17.65	-15.99	-21.93
BENDIGO AND ADELAIDE BANK	5.31	2.02	2.02	2.02	-7.75	2.02

Portfolio Adjustments

In April, the VIP committee reduced the portfolios exposure to the big banks by selling Macquarie Group and half of both ANZ and Westpac. In their place, Bendigo and Adelaide Bank was bought to maintain a holding in financials, as well as Computershare due to their foothold in the US share registry systems.

Risk Reward



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